TXC Corporation

Financial Statements for the
Years Ended December 31, 2009 and 2008 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

We have audited the accompanying balance sheets of TXC Corporation (the "Corporation") as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TXC Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the accompanying schedules of significant accounts, provided for supplementary analysis, by applying the same procedures described above. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to above.

As stated in Note 3 to the financial statements, on January 1, 2009, the Corporation adopted the newly revised SFAS No. 1 "Accounting for Inventories".

As stated in Note 3 to the financial statements, the Accounting Research and Development Foundation (ARDF) issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriation from earnings.

We have also audited the consolidated financial statements of TXC Corporation and subsidiaries as of December 31, 2009 and 2008, and expressed modified unqualified opinion with explanatory paragraphs on such financial statements.

March 8, 2010

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

TXC CORPORATION

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

ASSETS	2009 Amount	%	2008 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,053,100	12	$ 552,242	7
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,621	-	28,593	-
Available-for-sale financial assets - current (Notes 2 and 6)	-	-	120,049	1
Notes receivable, net (Notes 2 and 7)	2,279	-	39,709	1
Accounts receivable, net (Notes 2 and 7)	2,074,745	24	2,020,735	25
Accounts receivable - related parties, net (Notes 2, 7 and 25)	37,057	-	13,235	-
Other receivable	164,739	2	17,667	-
Other receivable - related party (Note 25)	124,788	2	-	-
Inventories, net (Notes 2 and 8)	709,374	8	692,037	9
Other current assets (Notes 2, 21 and 25)	110,919	1	55,537	1
Total current assets	4,278,622	49	3,539,804	44
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	3,000	-	3,000	-
Investments accounted for by the equity method (Notes 2 and 10)	2,152,217	25	1,899,741	23
Total long-term investments	2,155,217	25	1,902,741	23
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 26)				
Cost				
Land	273,496	3	273,496	3
Land improvements	593	-	593	-
Buildings	1,056,013	12	611,579	8
Machinery and equipment	2,931,750	34	2,963,491	37
Transportation equipment	2,557	-	2,557	-
Miscellaneous equipment	114,142	2	108,676	1
Land - revaluation increment	8,954	-	8,954	-
Cost and revaluation increment	4,387,505	51	3,969,346	49
Less accumulated depreciation	(2,167,140)	(25)	(1,788,760)	(22)
Construction in progress and prepayments for equipment	27,459	-	412,008	5
Total property, plant and equipment	2,247,824	26	2,592,594	32
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 18)	7,947	-	7,947	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 12)	7,091	-	7,215	-
Idle assets (Notes 2 and 12)	2,941	-	3,336	-
Refundable deposits	3,915	-	3,705	-
Deferred charges	7,729	-	5,923	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	-	-	27,981	1
Total other assets	21,676	-	48,160	1
TOTAL	$ 8,711,286	100	$ 8,091,246	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	%	2008 Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 416,200	5	$ 156,543	2
Short-term bills payable (Note 14)	-	-	100,000	1
Notes payable (Note 25)	52,711	1	40,494	-
Accounts payable	660,535	7	466,243	6
Accounts payable - related parties (Note 25)	319,957	4	221,022	3
Income tax payable (Note 21)	59,504	1	64,928	1
Accrued expenses (Notes 17 and 25)	311,484	3	313,156	4
Liability component of convertible bonds - current (Notes 2 and 15)	331	-	-	-
Bonds payable - current portion (Notes 2 and 15)	3,711	-	-	-
Current portion of long-term loans (Note 16)	177,250	2	119,273	1
Other current liabilities	11,218	-	8,341	-
Total current liabilities	2,012,901	23	1,490,000	18
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 15)	-	-	49,685	1
Long-term debt (Note 16)	692,437	8	911,636	11
Liability component of convertible bonds - noncurrent (Notes 2 and 15)	-	-	4,556	-
Total long-term liabilities	692,437	8	965,877	12
RESERVES				
Reserve for land value increment tax (Notes 2 and 11)	3,512	-	3,512	-
OTHER LIABILITIES				
Guarantee deposits received	8,117	-	4,494	-
Deferred income tax liabilities - noncurrent	73,128	1	-	-
Deferred credits - gain on inter-company transactions (Notes 2 and 10)	263	-	2,049	-
Total other liabilities	81,508	1	6,543	-
Total liabilities	2,790,358	32	2,465,932	30
STOCKHOLDERS' EQUITY (Note 19)				
Capital stock				
Common stock	2,873,409	33	2,716,981	34
Advance receipts for common stock	13,863	-	-	-
Total capital stock	2,887,272	33	2,716,981	34
Capital surplus	1,168,416	13	1,092,215	14
Retained earnings				
Legal reserve	447,198	5	352,016	4
Unappropriated earnings	1,371,460	16	1,356,164	17
Total retained earnings	1,818,658	21	1,708,180	21
Other equity (Note 2)				
Cumulative translation adjustments	168,373	2	229,680	3
Unrealized gains on financial instrument	-	-	49	-
Unrealized revaluation increment (Note 11)	5,442	-	5,442	-
Treasury stock (Notes 2 and 20)	(127,233)	(1)	(127,233)	(2)
Total other equity	46,582	1	107,938	1
Total stockholders' equity	5,920,928	68	5,625,314	70
TOTAL	$ 8,711,286	100	$ 8,091,246	100

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 6,614,490	101	$ 6,618,657	101
LESS: SALES RETURNS	(22,423)	-	(20,914)	-
LESS: SALES ALLOWANCES	(34,951)	(1)	(50,403)	(1)
NET OPERATING REVENUE	6,557,116	100	6,547,340	100
OPERATING COSTS	5,290,904	81	5,012,786	76
GROSS PROFIT	1,266,212	19	1,534,554	24
UNREALIZED INTER-COMPANY GAIN	(263)	-	(2,049)	-
REALIZED INTER-COMPANY GAIN	2,049	-	3,691	-
REALIZED GROSS PROFIT	1,267,998	19	1,536,196	24
OPERATING EXPENSES				
Selling expenses	316,429	5	328,647	5
General and administrative expenses	140,807	2	168,610	3
Research and development expenses	258,557	4	268,959	4
Total operating expenses	715,793	11	766,216	12
OPERATING INCOME	552,205	8	769,980	12
NONOPERATING INCOME AND GAINS				
Interest income	4,288	-	11,574	-
Investment income recognized under equity method	367,076	6	312,043	5
Gain on disposal of property, plant and equipment	1,960	-	124	-
Gain on sale of investments, net	3,221	-	-	-
Exchange gain	244,414	4	421,713	7
Reversal of impairment loss	-	-	1,821	-
Valuation gain on financial assets, net	1,621	-	24,283	-
Valuation gain on financial liabilities, net	-	-	2,279	-
Miscellaneous income	19,970	-	17,148	-
Total nonoperating income and gains	642,550	10	790,985	12

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TXC CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 12,143	-	$ 24,728	1
Loss on sale of investments, net	-	-	1,546	-
Loss on disposal of property, plant and equipment	5,120	-	4,222	-
Exchange losses	252,498	4	479,234	7
Impairment loss	3,249	-	-	-
Miscellaneous expenses	10,195	-	759	-
Total nonoperating expenses and losses	283,205	4	510,489	8
INCOME BEFORE INCOME TAX	911,550	14	1,050,476	16
INCOME TAX EXPENSE (Notes 2 and 21)	(129,327)	(2)	(98,659)	(1)
NET INCOME	$ 782,223	12	$ 951,817	15

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 3.20	$ 2.75	$ 3.71	$ 3.36
Diluted	$ 3.19	$ 2.73	$ 3.66	$ 3.31

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 8, 2010) (Concluded)

TXC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings		Others Equity				
	Capital Stock	**Advance Receipts for Common Stock**	**Capital Surplus**	**Legal Reserve**	**Unappropriated Earnings**	**Unrealized Revaluation Increment**	**Unrealized Gain (Loss) on Financial Instruments**	**Cumulative Translation Adjustments**	**Treasury Stock**	**Total**
BALANCE, JANUARY 1, 2008	$ 2,402,435	$ 13,091	$ 1,014,499	$ 238,045	$ 1,331,819	$ 5,442	$ 462	$ 111,374	$ -	$ 5,117,167
Appropriation of 2007 earnings										
Legal reserve	-	-	-	113,971	(113,971)	-	-	-	-	-
Stock dividends	238,627	-	-	-	(238,627)	-	-	-	-	-
Cash dividends	-	-	-	-	(477,254)	-	-	-	-	(477,254)
Bonus to directors and supervisors	-	-	-	-	(16,270)	-	-	-	-	(16,270)
Bonus to employees - (including $40,675 thousand paid in stock)	40,675	-	-	-	(81,350)	-	-	-	-	(40,675)
Conversion of convertible bonds	35,244	(13,091)	-	-	-	-	-	-	-	22,153
Equity component of convertible bonds	-	-	77,716	-	-	-	-	-	-	77,716
Net income for the year ended December 31, 2008	-	-	-	-	951,817	-	-	-	-	951,817
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(413)	-	-	(413)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	118,306	-	118,306
Acquisition of treasury stock - 3,000 thousand shares	-	-	-	-	-	-	-	-	(127,233)	(127,233)
BALANCE, DECEMBER 31, 2008	2,716,981	-	1,092,215	352,016	1,356,164	5,442	49	229,680	(127,233)	5,625,314
Appropriation of 2008 earnings										
Legal reserve	-	-	-	95,182	(95,182)	-	-	-	-	-
Stock dividends	134,349	-	-	-	(134,349)	-	-	-	-	-
Cash dividends	-	-	-	-	(537,396)	-	-	-	-	(537,396)
Bonus to employees	21,795	-	38,904	-	-	-	-	-	-	60,699
Conversion of convertible bonds	284	13,863	37,297	-	-	-	-	-	-	51,444
Net income for the year ended December 31, 2009	-	-	-	-	782,223	-	-	-	-	782,223
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	(49)	-	-	(49)
Changes in translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(61,307)	-	(61,307)
BALANCE, DECEMBER 31, 2009	$ 2,873,409	$ 13,863	$ 1,168,416	$ 447,198	$ 1,371,460	$ 5,442	$ -	$ 168,373	$ (127,233)	$ 5,920,928

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 8, 2010)

TXC CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 782,223	$ 951,817
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	608,490	551,095
Nonoperating loss - idle assets and lease assets	9,576	519
Amortization	10,802	41,371
(Reversal of) provision for doubtful accounts	(1,833)	794
Provision for loss on inventories	34,172	23,264
Loss on physical inventory	224	565
(Gain) loss on sale of investments	(3,221)	1,546
Cash dividends received from equity method investees	53,293	80,045
Investment income recognized under equity method	(367,076)	(312,043)
Gain on disposal of property, plant and equipment	(1,960)	(124)
Loss on disposal of property, plant and equipment	5,120	4,222
Valuation gain on financial instruments, net	(1,621)	(26,562)
Impairment loss (gain)	3,249	(1,821)
Unrealized gross profit	263	2,049
Realized gross profit	(2,049)	(3,691)
Discount on bonds payable	1,245	4,746
Deferred income tax	69,729	32,630
Net changes in operating assets and liabilities		
Notes receivable	37,620	(27,118)
Accounts receivable	(76,189)	65,652
Inventories	(51,733)	(87,796)
Other receivables	(271,860)	-
Other current assets	(24,002)	16,754
Notes payable	12,217	(28,279)
Accounts payable	293,227	(242,986)
Accrued expenses	59,027	114,889
Income tax payable	(5,424)	(19,021)
Other current liabilities	2,877	(2,179)
Net cash provided by operating activities	1,176,386	1,140,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial instruments as at fair value through profit or loss	30,620	(14,624)
Acquisitions of available-for-sale financial assets	(860,000)	(210,000)
Proceeds from disposal of available-for-sale financial assets	981,194	180,906
Acquisition of investments accounted for by equity method	-	(242,985)
Acquisition of property, plant and equipment	(337,612)	(1,170,213)
Proceeds from disposal of property, plant and equipment	58,426	-
(Increase) decrease in refundable deposits	(210)	3,879
Increase in deferred charges	(12,608)	(28,875)
Net cash used in investing activities	(140,190)	(1,481,912)

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TXC CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	$ 259,657	$ (118,714)
(Decrease) increase in short-term bills payable	(100,000)	100,000
Redemption of convertible bonds	-	(87,900)
Proceeds from long-term debt	-	840,000
Repayment of long-term debt	(161,222)	(207,273)
Increase in guarantee deposits received	3,623	-
Cash dividends	(537,396)	(477,254)
Cash bonus to directors, supervisors and employees	-	(56,945)
Cash paid for acquisition of treasury stock	-	(127,233)
Net cash used in financing activities	(535,338)	(135,319)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	500,858	(476,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	552,242	1,029,135
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,053,100	$ 552,242
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (including capitalized interest $2,402 thousand and $5,275 thousand)	$ 13,390	$ 30,963
Income tax paid	$ 65,023	$ 85,049
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of convertible bonds	$ 49,800	$ 99,000
Acquisition of long-term equity investments through payment in the form of machinery	$ -	$ 15,060

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 8, 2010) (Concluded)

1. ORGANIZATION AND OPERATIONS

TXC Corporation (the Corporation) was incorporated on December 28, 1983 under the Company Law and other related regulations of the Republic of China (ROC).

The Corporation specializes in five categories of products such as high quality Quartz Unite Crystul, Automotive Crystal, Crystal Oscillator (CXO) Surface Acoutic Wave (SAW) Filter, and Timing Module (TM), and provides for a complete solution of frequency devices and modules, design in service to fully satisfy various needs of the customers.

On August 26, 2002, the Corporation’s shares began to be traded on the Taiwan Stock Exchange.

As of December 31, 2009 and 2008, the Corporation had 968 and 889 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, pension cost, bonuses to employees, directors and supervisors, and impairment of assets, etc. Actual results may differ from these estimates.

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if difference arises in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, consisting of commercial papers, bank acceptances and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Corporation recognizes a financial asset or a financial liability on its balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative objective of the Corporation is to minimize risks due to changes in fair value or cash flows, that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are the same with those of financial assets at FVTPL.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Fair value of financial assets at the balance sheet date is determined as follows: Open-end mutual funds - at net assets values.

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Corporation assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables.

Inventories

Inventories consist of raw materials, supplies and spare parts, work-in-process, finished goods and merchandize. Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value meant replacement cost for raw materials and supplies and spare parts and net realizable value for work in process, finished goods and merchandize. As discussed in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Investments Accounted for by the Equity Method

Investments in which the Corporation holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee.

Property, Plant and Equipment

Property, plant and equipment are stated at cost plus revaluation increment less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over the estimated useful lives as follow: buildings - 3 to 60 years; machinery and equipment - 3 to 8 years; transportation equipment - 2 to 5 years; miscellaneous equipment - 2 to 6 years.

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, idle assets, leased assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings.

Stock-based Compensation

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation (“ARDF”). The Corporation adopted the intrinsic value method, under which compensation cost is recognized on a straight-line basis over the vesting period.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the year.

Convertible Bonds

For convertible bonds issued on or after January 1, 2006, the Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Corporation uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction to arrive at stockholders' equity.

Income Tax

The Corporation applies intra-year and inter-year allocations for its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2009.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the ARDF issued Interpretation 2007-52 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of $116,912 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.44 for the year ended December 31, 2008.

Accounting for Inventories

On January 1, 2009, the Corporation adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption did not result in net income. For comparison purposes, the Corporation also reclassified nonoperating losses of $23,829 thousand to cost of goods sold for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	2008
Cash on hand	$ 1,366	$ 1,270
Checking accounts and demand deposits	516,234	391,672
Time deposits	220,500	69,300
Cash equivalents		
Repurchase agreements collateralized by bonds	315,000	90,000
	$ 1,053,100	$ 552,242

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	2008
Financial assets at FVTPL		
Convertible bonds	$ -	$ 4,025
Forward exchange contracts	$ 1,621	$ 24,568

The Corporation entered into derivative contracts during the years ended December 31, 2009 and 2008 to manage exposures related to exchange rate. The financial risk management objective of the Corporation is to minimize risks due to change in fair value or cash flows.

Outstanding forward contracts as of December 31, 2009 and 2008 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2009			
Sell	USD/NTD	March 26, 2010	US$48,500/NT$1,568,248
Sell	USD/JPY	April 28, 2010	US$5,500/JPY498,356
Sell	NTD /JPY	April 23, 2010	NT$417,294/JPY1,170,000
December 31, 2008			
Sell	USD/NTD	March 17, 2009	US$27,500/NT$902,742
Sell	USD/JPY	March 11, 2009	US$10,750/JPY1,038,055

Net losses on financial instruments held for treading for the years ended December 31, 2009 and 2008 were $3,016 thousand and $485 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Mutual funds	$ -	$ 120,049

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2009	2008
Notes receivable, third parties	$ 2,289	$ 39,909
Notes receivable, related parties	-	-
	2,289	39,909
Less: Allowance for doubtful accounts	(10)	(200)
	$ 2,279	$ 39,709
Accounts receivable, third parties	$ 2,089,950	$ 2,037,583
Accounts receivable, related parties	37,057	13,235
	2,127,007	2,050,818
Less: Allowance for doubtful accounts	(15,205)	(16,848)
	$ 2,111,802	$ 2,033,970

Movements of allowance for doubtful accounts were as follows:

	Years Ended December 31			
	2009		2008	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of year	$ 200	$ 16,848	$ 64	$ 16,190
Add (deduct): Provision (reversal of provision) for doubtful accounts	(190)	(1,643)	136	658
Balance, end of year	$ 10	$ 15,205	$ 200	$ 16,848

8. INVENTORIES

	December 31	
	2009	2008
Raw materials	$ 131,744	$ 156,492
Supplies and spare parts	56,292	31,094
Work in process	154,073	152,710
Finished goods	194,203	205,115
Merchandise	155,592	134,797
Goods in transit	17,470	11,829
	$ 709,374	$ 692,037

As of December 31, 2009 and 2008, the allowance for inventory devaluation was $38,068 thousand and $32,181 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2009 and 2008 was $5,290,904 thousand and $5,012,786 thousand, respectively, which included $34,396 thousand and $23,829 thousand, respectively, due to write-downs of inventories.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2009	2008
Domestic unquoted common stocks	$ 3,000	$ 3,000

The above equity investments, which had no quoted prices in an active market and of which fair value could not be reliably measured were carried at cost.

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Unlisted companies				
Taiwan Crystal Technology International Ltd. ("TCTI")	$ 2,129,467	100	$ 1,882,582	100
TXC Technology Inc.	11,297	100	11,761	100
TXC Japan Corporation	11,453	100	5,398	100
	$ 2,152,217		$ 1,899,741	

Investment income (loss) recognized under the equity method was as follows:

	Years Ended December 31	
	2009	2008
TCTI	$ 360,839	$ 307,803
TXC Technology Inc.	(152)	4,368
TXC Japan Corporation	6,389	(128)
	$ 367,076	$ 312,043

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Corporation's investments, had been audited, except those of TXC Technology Inc. and TXC Japan Corporation. The Corporation believes that, had TXC Technology Inc. and TXC Japan Corporation's financial statements been audit, any adjustments arising would have no material effect on the Corporation's financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	469	124
Buildings	1,056,013	-	236,305	819,708
Machinery and equipment	2,931,750	-	1,846,608	1,085,142
Transportation equipment	2,557	-	2,370	187
Miscellaneous equipment	114,142	-	81,388	32,754
Prepayments for equipment	27,459	-	-	27,459
	$ 4,406,010	$ 8,954	$ 2,167,140	$ 2,247,824

	December 31, 2008			
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value
Land	$ 273,496	$ 8,954	$ -	$ 282,450
Land improvements	593	-	444	149
Buildings	611,579	-	193,683	417,896
Machinery and equipment	2,963,491	-	1,522,794	1,440,697
Transportation equipment	2,557	-	2,199	358
Miscellaneous equipment	108,676	-	69,640	39,036
Construction in progress	384,386	-	-	384,386
Prepayments for equipment	27,622	-	-	27,622
	$ 4,372,400	$ 8,954	$ 1,788,760	$ 2,592,594

Information about capitalized interest was as follows:

	Years Ended December 31	
	2009	2008
Capitalized interest	$ 2,402	$ 5,275
Capitalization rates	1.45%	2.51%

The Corporation revalued its land in 1996, which resulted in total revaluation increments of $8,954 thousand. The net add revaluation amount of $5,442 thousand after deducting the reserve for land value increment tax of $3,512 thousand was credited to equity as unrealized revaluation increment.

See Note 26 for collateral on loans.

12. OTHER ASSETS

Leased to Others

	December 31, 2009			
	Book Value	Accumulated Impairment	Accumulated Impairment Losses	Carrying Value
Land	$ 2,602	$ -	$ -	$ 2,602
Buildings	7,558	(3,069)	-	4,489
	$ 10,160	$ (3,069)	$ -	$ 7,091

	December 31, 2008			
	Book Value	Accumulated Impairment	Accumulated Impairment Losses	Carrying Value
Land	$ 2,602	$ -	$ -	$ 2,602
Buildings	7,558	(2,945)	-	4,613
	$ 10,160	$ (2,945)	$ -	$ 7,215

Future rental payments receivable were summarized as follows:

Year	
2010	$ 1,620
2011	795

As of December 31, 2009, the Corporation had received deposits of $270 thousand. The interest on these deposits of $4 thousand imputed at interest rates on time deposits was recognized as rental revenue, with a corresponding charge to interest expense for the year ended December 31, 2009.

Idle Assets

	December 31, 2009		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,562	4,874	688
Machinery and equipment	6,203	6,203	-
	$ 14,018	$ 11,077	$ 2,941

	December 31, 2008		
	Book Value	**Accumulated Impairment**	**Carrying Value**
Land	$ 2,253	$ -	$ 2,253
Buildings	5,957	4,874	1,083
Machinery and equipment	5,702	5,702	-
	$ 13,912	$ 10,576	$ 3,336

Impairment loss was as follows:

	December 31, 2009	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Impairment loss		
Machinery and equipment	$ 3,249	$ -

	December 31, 2008	
	Recognized in Income Statement	**Recognized in Stockholders' Equity**
Gain on reversal of impairment loss		
Machinery and equipment	$ 1,821	$ -

The Corporation recognized an impairment loss of $3,249 thousand in 2009, because of a decrease in cash inflow from the use of the related machinery and resulted in recoverable amount of the machine being lower than its carrying amount.

13. SHORT-TERM LOANS

	December 31 2009	December 31 2008
Usance letters of credit	$ 329,719	$ 156,543
Working capital loans	86,481	-
	$ 416,200	$ 156,543

a. Usance letters of credit amounted to JPY926,095 thousand and US$244 thousand as of December 31, 2009 and JPY431,366 thousand as of December 31, 2008. Interest rates ranged from 1.031% to 1.536% and from 1.303% to 2.11% at December 31, 2009 and 2008, respectively.

b. Working capital loans amounted to US$2,700 thousand as of December 31, 2009. Interest rates for working capital loans is 0.74% at December 31, 2009.

14. SHORT-TERM BILLS PAYABLE

	December 31			
	2009		2008	
	Interest Rate	Amount	Interest Rate	Amount
Commercial paper	-	$ -	2.50	$ 100,000
Less: Unamortized discount on bills payable	-	-	-	-
		$ -		$ 100,000

15. BONDS PAYABLE

	December 31 2009	December 31 2008
Second unsecured domestic convertible bonds	$ 3,900	$ 53,700
Less: Discount on bonds payable	(189)	(4,015)
Less: Current portion	(3,711)	-
	$ -	$ 49,685
Liability component of unsecured domestic convertible bonds	$ 331	$ 4,556

Second Unsecured Domestic Convertible Bonds

On November 8, 2006, the Corporation issued second unsecured domestic convertible bonds with an aggregate value of $800,000 thousand and maturity on November 8, 2011. Nominal interest is 0%. As of December 31, 2008, bonds with a face value of $708,200 thousand had been converted into 15,035 thousand common shares. Before the third anniversary of the issuance date, the Corporation redeem the bonds from holders at contracted price of $87,900 thousand. According to Statement of Financial Accounting Standards No. 36, "Disclosure and Presentation of Financial Instruments," these unsecured domestic convertible bonds were separated into convertible options, equity (Note 19), and bonds payable, liability. Other details of the bond issuance are summarized as follows:

a. Upon maturity the Corporation has redeemed the bonds by cash at face value.

b. On the third anniversary of the issuance date, bonds are redeemable at face value.

c. During the period between one month after issuance and the 40th day before maturity, the Corporation can redeem the bonds from holders at contracted price.

d. During the period between one month after issuance and the 10th day before maturity, except for the period between the ex-dividend date and the date of record, holders can request for conversion of the bonds to the Corporation's common stock.

e. The original conversion price per share is $52.00. The conversion price is subject to adjustment based on a certain formula if there are changes in outstanding shares or execution of conversion below market price. The conversion price per share is $35.2 on December 31, 2009.

16. LONG-TERM LOANS

		December 31	
Nature of Loans	**Repayment Period**	**2009**	**2008**
Secured bank loans	Maturity on May 4, 2021, repayable in 55 quarterly installments from November 2007	$ -	$ 90,909
Unsecured bank loans	Repayable at maturity on August 14, 2009	-	100,000
Secured bank loans	Maturity on July 24, 2013, repayable in 20 quarterly installment from November 2008	244,687	233,000
Secured bank loans	Maturity on August 25, 2013, repayable in 20 quarterly installment from November 2008	45,000	57,000
Unsecured bank loans	Repayable at maturity on September 11, 2010	100,000	100,000
Unsecured bank loans	Repayable at maturity on September 12, 2010	-	150,000
Unsecured bank loans	Repayable at maturity on November 20, 2010	-	100,000
Unsecured bank loans	Repayable at maturity on November 28, 2010	-	200,000
Unsecured bank loans	Repayable at maturity on March 16, 2011	180,000	-
Unsecured bank loans	Repayable at maturity on June 1, 2011	50,000	-
Unsecured bank loans	Repayable at maturity on September 16, 2011	100,000	-

(Continued)

Nature of Loans	Repayment Period	December 31 2009	2008
Unsecured bank loans	Repayable at maturity on October 27, 2011	$ 50,000	$ -
Unsecured bank loans	Repayable at maturity on June 12, 2011	100,000	-
		869,687	1,030,909
Less current portion		(177,250)	(119,273)
		$ 692,437	$ 911,636
Interest rate (%)		0.9-1.03	1.835-2.76

(Concluded)

See Notes 26 for collateral on long-term loans.

17. ACCRUED EXPENSES

	December 31 2009	2008
Payroll	$ 31,201	$ 23,840
Bonus	85,558	72,501
Bonus to employees, directors and supervisors	77,368	139,123
Commission	61,654	44,291
Others	55,703	33,401
	$ 311,484	$ 313,156

18. PENSION PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at not less than 6% of monthly salaries and wages. Such pension costs were $18,634 thousand and $18,761 thousand for the Year ended December 31, 2009 and 2008, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. The Corporation recognized pension costs of $3,664 thousand and $4,186 thousand for the Year ended December 31, 2009 and 2008, respectively.

Information about the defined benefit plan was as follows:

a. Components of net yearic pension cost

	Years Ended December 31	
	2009	2008
Service cost	$ 2,081	$ 2,208
Interest cost	1,508	1,569
Projected return on plan assets	(1,471)	(1,470)
Amortization	2,269	1,924
Net yearic pension cost	$ 4,387	$ 4,231

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2009 and 2008

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	$ (7,010)	$ (2,705)
Non-vested benefit obligation	(51,552)	(43,421)
Accumulated benefit obligation	(58,562)	(46,126)
Additional benefit based on future salaries	(17,711)	(18,588)
Projected benefit obligation	(76,273)	(64,714)
Fair value of plan assets	59,334	61,343
Funded status	(16,939)	(3,371)
Unrecognized net transitional obligation	-	41
Unrecognized net loss	27,549	14,663
Accrued pension cost	$ 10,610	$ 11,333
Vested benefit	$ (7,945)	$ (3,082)

c. Actuarial assumptions as of December 31, 2009 and 2008:

	December 31	
	2009	2008
Discount rate used in determining present values	2.00%	2.75%
Future salary increase rate	2.25%	2.50%
Expected rate of return on plan assets	2.00%	2.75%

	Years Ended December 31	
	2009	2008
d. Contributions to the fund	$ 3,664	$ 4,186
e. Payments from the fund	$ 6,057	$ 4,185

19. STOCKHOLDERS' EQUITY

Capital Stock

The Corporation's authorized capital is $4,000,000 thousand and $3,500,000 thousand at December 31, 2009 and 2008 ($10.00 par value per share). As of December 31, 2009 and 2008, the Corporation's issued capital stock were $2,873,409 thousand and $2,716,981 thousand, respectively, divided into 287,341 thousand shares and 271,698 thousand shares, respectively, at $10.00 par value each.

Employee Stock Options

In December 2007, 8,000 options were granted to qualified employees of the Corporation and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of the Corporation when exercisable. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's common shares listed on the TSE on the grant date. For any subsequent changes in the Corporation's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Information about employee stock option plans was as follows:

	Years Ended December 31			
	2009		2008	
	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance, beginning of year	8,000	$ 50.7	8,000	$ 58.8
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	(415)	-	-	-
Balance, end of year	7,585	45.4	8,000	50.7
Options exercisable, end of year	4,000	45.4	-	

Information about outstanding and exercisable options as of December 31, 2009 was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (NT$)	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price (NT$)	Number of Options	Weighted Average Exercise Price (NT$)
$58.80-45.4	8,000	2.94	$ 45.4	4,000	$ 45.4

The pro forma information for the years ended December 31, 2009 and 2008 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39 is as follows:

	2009	2008
Net income	$ 703,939	$ 866,418
After income tax basic earnings per share (NT$)	$2.47	$3.24

Capital Surplus

Under the Company Law capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus comprised of the following

	December 31	
	2009	2008
Arising from issuance of common shares	$ 329,152	$ 290,248
Arising from conversion of bonds	776,646	736,879
Arising from treasury stock transactions	4,360	4,360
Employee stock options	58,064	58,064
Conversion options	194	2,664
	$ 1,168,416	$ 1,092,215

Appropriation of Earnings and Dividend Policy

Under and the Corporation's Articles of Incorporation, the Corporation should make appropriation from its net income less any prior years' deficit, 10% should be appropriated as legal reserve. The remaining amount may be fully or partially retained and partially distributed for dividends, with the stockholders' approval, according to the following percentages.

a. Employee bonus - not less than 3%

b. Directors and supervisors' remuneration - not more than 2%

c. Stock bonuses to employees include subsidiary employees who meet certain criteria set by the board of directors.

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

For the years ended December 31, 2009 and 2008, the bonus to employees was $70,335 thousand and $122,755 thousand, respectively, and the remuneration to directors and supervisors was $7,033 thousand and $16,368 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 10% and 15%; 1% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve may be used to offset a deficit. When legal reserve has reaches 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to pay in capital.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equals to their proportionate share of the income tax paid by the Corporation.

The appropriation of earnings for 2008 and 2007 had been approved in the stockholders' meeting on June 16, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2008	**For Fiscal Year 2007**	**For Fiscal Year 2008**	**For Fiscal Year 2007**
Legal reserve	$ 95,182	$ 113,971	$ -	$ -
Cash dividends	537,396	477,254	2.0	2.0
Stock dividends	134,349	238,627	0.5	1.0
Bonus to employees - stock	-	40,675	-	-
Bonus to employee - cash	-	40,675	-	-
Bonus to directors and supervisors - cash	-	16,270	-	-

The bonus to employees of $121,398 thousand and the remuneration to directors and supervisors of $16,187 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009. The bonus to employees included a cash bonus of $60,699 thousand and a share bonus of $60,699. The number of shares of 2,180 thousand was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends). The approved amounts of the bonus to employees and the remuneration to directors and supervisors were different from the accrual amounts of $122,755 thousand and $16,368 thousand, respectively, reflected in the financial statements for the year ended December 31, 2008, and the differences of $(1,357) thousand and $(181) thousand, respectively, resulted from the weighted average number of shares outstaning and had been adjusted in profit and loss for the year ended December 31, 2009.

The Board of Directors set August 30, 2009 as the ex-dividend date.

Information about bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

20. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2009				
For transfer to employees	3,000	-	-	3,000
Year ended December 31, 2008				
For transfer to employees	-	3,000	-	3,000

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

21. INCOME TAX

A reconciliation of income tax expense based on income before income tax at the 25% statutory rate and income tax expense was as follows:

	Years Ended December 31	
	2009	2008
Income tax expense at the 25% statutory rate	$ 227,877	$ 262,609
Tax effect on adjusting items:		
Permanent differences	(1,140)	(683)
Temporary differences	(84,874)	(83,964)
Tax-exempt income for five years	(41,344)	(69,329)
Additional 10% income tax on unappropriated earnings	18,489	21,223
Investment tax credits used	(59,504)	(64,928)
Current income tax expense	59,504	64,928
Deferred income tax expenses (benefit)		
Temporary difference	56,766	70,479
Investment tax credits	31,499	(37,849)
Effect of law changes on deferred income tax	(18,536)	-
Adjustment for prior years' tax	94	1,101
	$ 129,327	$ 98,659

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

Deferred income tax assets (liabilities) were as follows:

	2009	2008
Current		
Deferred income tax assets		
Investment tax credits	$ 70,219	$ 42,984
Unrealized allowance for loss on inventories	7,613	8,045
Unrealized exchange losses	5,089	10,992
Unrealized valuation loss on financial instruments	-	244
Unrealized gain on transactions with investees	1,829	2,132
Others	2,296	-
	87,046	64,397
Less: Valuation allowance	-	-
	87,046	64,397
Deferred income tax liabilities		
Unrealized exchange gain	(5,385)	(8,296)
Unrealized valuation gain on financial instrument	(324)	(6,142)
	(5,709)	(14,438)
	$ 81,337	$ 49,959
Noncurrent		
Deferred income tax assets		
Accrued pension cost	$ 265	$ 331
Impairment loss	2,783	2,644
Investment tax credits	70,219	128,953
	73,267	131,928
Less: Valuation allowance	-	-
	73,267	131,928
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(146,395)	(103,947)
	$ (73,128)	$ 27,981

As of December 31, 2009, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 102,462	$ 63,757	2013
	Research and development expenditures	134,857	75,354	2013
	Personnel training expenditures	1,327	1,327	2013
		$ 238,646	$ 140,438	

As of December 31, 2009, profits attributable to the following expansion and construction projects were exempted from income tax for five-year.

Expansion of Construction Project	Tax-Exemption Year
Acquisition of equipment in 2004	2005 to 2009
Acquisition of equipment in 2005	2010 to 2014
Acquisition of equipment in 2009	-

The Corporation's income tax returns through 2005 have been examined and approved by the tax authorities.

Information about integrated income tax was as follows:

	December 31	
	2009	2008
Balance of ICA	$ 32,890	$ 32,474

	2009 (Estimate)	2008 (Actual)
The creditable ratio for distribution	6.74%	7.26%

	December 31	
	2009	2008
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	1,371,460	1,356,164
	$ 1,371,460	$ 1,356,164

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	Years Ended December 31					
	2009			2008		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	$ 317,228	$ 225,607	$ 542,835	$ 362,147	$ 282,069	$ 644,216
Pension	13,320	9,450	22,770	13,462	10,085	23,547
Meals	14,101	5,479	19,580	15,787	5,362	21,149
Welfare	7,176	2,404	9,580	8,011	1,987	9,998
Insurance	22,485	13,189	35,674	21,087	12,640	33,727
Others	-	-	-	-	-	-
Depreciation	494,102	114,388	608,490	461,762	89,333	551,095
Amortization	791	10,011	10,802	15,256	26,115	41,371

23. EARNINGS PER SHARE (EPS)

	Year Ended December 31			
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (dollars)				
From continuing operations	$ 3.20	$ 2.75	$ 3.71	$ 3.36
Income for the year	$ 3.20	$ 2.75	$ 3.71	$ 3.36
Diluted earnings per share (dollars)				
From continuing operations	$ 3.19	$ 2.73	$ 3.66	$ 3.31
Income for the year	$ 3.19	$ 2.73	$ 3.66	$ 3.31

The numerators and denominators used in calculating basic and diluted EPS were as follows:

	Amounts (Numerator)		Shares (Denominator) (In Thousands)	EPS (NT$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Year ended December 31, 2009					
Net income	$ 911,550	$ 782,223			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 911,550	$ 782,223	284,489	$ 3.20	$ 2.75
Effect of dilutive potential common stock					
Bonus to employees	-	-	597		
Convertible bonds	1,247	935	1,350		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 912,747	$ 783,158	286,436	$ 3.19	$ 2.73
Year ended December 31, 2008					
Net income	$ 1,050,476	$ 951,817			
Basic EPS (NT$)					
Income for the year attributable to common stockholders	$ 1,050,476	$ 951,817	283,293	$ 3.71	$ 3.36
Effect of dilutive potential common stock					
Convertible bonds	6,166	4,625	2,583		
Bonus to employees	-	-	2,937		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 1,056,642	$ 956,442	288,813	$ 3.66	$ 3.31

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses distributed out of earnings for the year ended December 31, 2008 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2008 to decrease from NT$3.56 to NT$3.36 and from NT$3.50 to NT$3.31, respectively.

24. FINANCIAL INSTRUMENTS

Fair values of financial instruments:

	December 31			
	2009		2008	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Financial assets at FVTPL	$ 1,621	$ 1,621	$ 28,593	$ 28,593
Available-for-sale financial assets, current	-	-	120,049	120,049
Financial assets carried at cost	3,000	-	3,000	-
Financial liabilities				
Bonds payable	4,042	4,042	54,241	54,241
Long-term debt (including current portion)	869,687	869,687	1,030,909	1,030,909

Methods and assumptions used to estimate the fair values of financial instruments were as follows:

a. The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, notes and accounts payable and short-term loans. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

b. Fair values of financial instruments designated as at FVTPL, available-for-sale and derivatives are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

c. Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

d. Fair values of long-term loans and bonds payable are estimated using the present value of future cash flows discounted by the interest rates.

Fair value of financial assets and liabilities using based on quoted market prices or valuation techniques were as follows:

	Quoted Market Price		Valuation Techniques Incorporating Estimates and Assumptions	
	December 31		December 31	
	2009	2008	2009	2008
Assets				
Financial assets at FVTPL, current	$ -	$ 4,025	$ 1,621	$ 24,568
Available-for-sale financial assets, current	-	120,049	-	-
Liabilities				
Bonds payable	-	-	4,042	54,241

Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were $1,621 thousand and $24,568 thousand for the years ended December 31, 2009 and 2008, respectively.

Financial risks:

a. Market risk: The Corporation’s market risk refers to the uncertainties due to exchange rate fluctuations. Gains or losses on forward exchange contracts are likely to offset the gains or losses on foreign-currency assets or liabilities. Interest rate risk refers to the risk arising from interest rate fluctuations in the market. The Corporation does not have significant price risk.

b. Credit risk: Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation’s exposure to default by those parties to be material.

c. Liquidity risk: The Corporation’s operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

d. Cash flow interest rate risk: The Corporation’s short term and long term loans are floating-rate. When the market interest rate increases by one percentage point, the Corporation’s cash outflow will increase by $12,859 a year.

25. RELATED-PARTY TRANSACTIONS

Related parties and their relationships with the Corporation:

Related Party	Relationship with the Corporation
Tai-Shing Electronics Components Corporation (Tai-Shing)	Chairman is the Corporation's general manager
TXC Technology Inc.	Equity-method investee
TXC Japan Corporation	Equity-method investee
Taiwan Crystal Technology International Ltd. (TCTI)	Equity-method investee
Growing Profits Trading Ltd. (GPT)	Subsidiary's equity-method investee
TXC (Ningbo) Corporation (NGB)	Subsidiary's equity-method investee
TXC (HK) Limited	Subsidiary's equity-method investee

Significant transactions with related parties:

Sales

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	$ 86,099	2	$ 105,938	2
Tai-Shing	12,431	-	15,255	-
TXC (HK) Limited	8,288	-	444	-
TXC Japan Corporation	3,731	-	1,583	-
TXC Technology Inc.	2,891	-	3,530	-
	$ 113,440	2	$ 126,750	2

Purchases

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balances	Amount	% to Total Account Balances
NGB	$ 1,365,313	33	$ 1,189,948	31
GPT	20,601	-	-	-
TXC Japan Corporation	6,638	-	107	-
TXC (H.K.) Limited	2,588	-	-	-
Tai-Shing	887	-	2,627	-
	$ 1,396,027	33	$ 1,192,682	31

Consulting Fee

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
TXC Japan Corporation	$ 49,297	47	$ 36,306	34
NGB	28,584	27	32,160	31
TXC Technology Inc.	27,941	26	37,619	35
	$ 105,822	100	$ 106,085	100

Other Expenses

	Years Ended December 31			
	2009		2008	
Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Tai-Shing	$ 704	-	$ 6,106	1
TXC Japan Corporation	234	-	-	-
	$ 938	-	$ 6,106	1

In the year ended December 31, 2009, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, and TXC (HK) Limited, those related parties are divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.

In the year ended December 31, 2008, the selling price and purchasing price were not significantly different from those with third parties.

Receivable from and Payable to Related Parties

		December 31			
		2009		2008	
Item	Related Party	Amount	% to Total Account Balance	Amount	% to Total Account Balance
Accounts receivable	NGB	$ 27,138	2	$ 8,631	1
	Tai-Shing	5,597	-	3,299	-
	TXC Technology Inc.	486	-	845	-
	TXC Japan Corporation	-	-	13	-
	TXC (HK) Limited	3,836	-	447	-
		$ 37,057	2	$ 13,235	1
Other current assets	TXC Technology Inc.	$ 2,878	1	$ 973	1
Notes payable	Tai-Shing	$ 920		$ 3,357	1

Item	Related Party	December 31 2009 Amount	2009 % to Total Account Balance	2008 Amount	2008 % to Total Account Balance
Accounts payable	NGB	$ 315,932	33	$ 220,777	32
	Tai-Shing	733	-	245	-
	TXC (HK) Limited	2,563	-	-	-
	TXC Japan Corporation	729	-	-	-
		$ 319,957	33	$ 221,022	32
Accrued expense	Tai-Shing	$ 132	-	$ 11	-
	TXC Japan Corporation	66	-	-	-
		$ 198	-	$ 11	-

The collection term and payment term to related parties were not significantly different from third parties.

Other Receivables

Related Party	December 31 2009 Amount	2009 % to Total	2008 Amount	2008 % to Total
NGB	$124,788	43	$ -	-

Other receivable is the amount that prepayment for others, and payable to contractors.

Property transactions

In the year ended December 31, 2009, the Corporation sold its equipment to NGB it machinery, with a net book value of $53,799 thousand, for $53,799 thousand.

In the year ended December 31, 2009, the Corporation purchased the computer from Tai-Shing was about 2,096 thousand.

Other

As of December 31, 2008, the Corporation’s guarantee for loans of its subsidiaries was described in Table 1.

Compensation of Directors, Supervisors and Management Personnel

	Years Ended December 31	
	2009	2008
Salaries	$ 7,702	$ 7,453
Incentives and special compensation	4,245	5,295
Professional fee	1,200	1,320
Bonus	10,000	19,968
	$ 23,147	$ 34,036

The compensation of directors, supervisors and management personnel for the year ended December 31, 2009 and 2008 included the bonuses appropriated from earnings for 2009 and 2008 which had been approved by stockholders in their annual meeting held in 2010 and 2009.

26. MORTGAGED OR PLEDGED ASSETS

	December 31	
	2009	2008
Property, plant and equipment		
Land	$ 258,076	$ 258,076
Buildings, net	815,939	415,129
	$ 1,074,015	$ 673,205

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Guarantee notes payable for short-term loan and long-term loan amount to about $440,000 thousand.

Unused letters of credit was about JPY339,404 thousand and US$228 thousand.

As of December 31, 2009, the Corporation’s guarantee for loan of its subsidiary was described in Table 1.

28. SUBSEQUENT EVENTS

On January 11, 2010 the Corporation issued third unsecured domestic convertible bonds with an aggregate value $800,000 thousand and maturity on January 11, 2013. Nominal interest is 0%. The original conversion price per share is NT$57.6.

29. SEGMENT, GEOGRAPHIC AREA, EXPORT SALES AND MAJOR CUSTOMER INFORMATION

Segment Information

No segment information.

Geographic Area Information

No geographic area information.

Export Sales

Area	Years Ended December 31	
	2009	2008
Americas	$ 152,645	$ 124,893
Europe	-	113,244
Asia	5,682,187	5,414,169
	$ 5,834,832	$ 5,652,306

Major Customer Information

Major customer did not exceed the sales account 10% of income statements on 2009 and 2008.

30. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Corporation and its investees:

a. Financing provided: None.

b. Endorsement/guarantee provided: Table 1 (attached).

c. Marketable securities held: Table 2 (attached).

d. Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: Table 3 (attached).

e. Acquisition of individual real estate properties at costs of at least $100 million or 20% of the paid-in capital: Table 4 (attached).

f. Disposal of individual real estate properties at prices of at least $100 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 5 (attached).

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached).

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 7 (attached).

j. Derivative transactions: Please refer to Note 24 for the related information and Table 8 (attached).

k. Investment in Mainland China: Table 9 (attached).

TABLE 1

TXC CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Counter-party		Limit on Each Endorsement/ Guarantee Amounts Provided to Each Counter-Party (Note 2)	Maximum Balance for the Year	Ending Balance	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statement	Maximum Endorsement/ Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	TXC Corporation	TCTI	Subsidiary	$ 2,960,464	$ 33,089	$ -	$ -	-	$ 5,920,928
		GPT	Subsidiary	2,960,464	189,240	-	-	-	5,920,928

Note 1: Issuing corporation

Note 2: Not to exceed 50% of the Corporation’s net equity. ($5,920,928 thousand × 50% = $2,960,464 thousand)
Not to exceed the net value of the Corporation.

TXC CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2009 Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	Note
TXC Corporation	Stock							
	TCTI	Subsidiary	Investment accounted for by the equity method	37,835	$ 2,129,467	100	None	
	TXC Technology Inc.	Subsidiary	〃	300	11,297	100	None	
	TXC Japan Corporation	Subsidiary	〃	2	11,453	100	None	
					$ 2,152,217		None	
	Marson Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	414	$ 3,000	5	None	
TCTI	Stock							
	GPT	Subsidiary	Investment accounted for by the equity method	50	124,065 US$ 3,884	100	None	
	TXC (Ningbo) Corporation	Subsidiary	〃	1,244,699 US$ 37,835	2,007,929 US$ 62,866	100	None	
NGB	TXC (HK) Limited	Subsidiary	〃	846 HK$ 200	6,079 RMB 1,299	100	None	

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
TXC Corporation	UPAMC James Bond Fund	Available-for-sale financial assets	-	-	1,884	$ 30,000	6,270	$ 100,000	8,154	$ 130,248	$ 130,000	$ 248	-	$ -
	Hua Nan Kirin Fund	Available-for-sale financial assets	-	-	-	-	9,610	110,000	9,610	110,120	110,000	120	-	-
	Capital Income Fund	Available-for-sale financial assets	-	-	1,951	30,000	9,097	140,000	11,048	170,179	170,000	179	-	-

TXC CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
TXC Corporation	Land	2009.05.31	$ 449,281	Full payment	Zhi Qin Company	-	-	-	-	$ -	Market value	Operating purpose	-

TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms (Note)	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	NGB	Subsidiary	Purchase	$ 1,365,313	33		Divisions of the Group strategy, its trading price to cost-adjust according to the agreed terms.	-	$ (315,932)	(33)	

Note: The terms of purchases from related parties were not significantly different from those with third parties.

TXC CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amounts	Action Taken		
NGB	TXC Corporation	Ultimate parent	$ 315,932	5.09	$ -	-	$ 301,242	$ -

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2009	December 31, 2008	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	TCTI	WESTERN Samoa	Investment holding	$ 1,244,699 US$ 37,835	$ 1,244,699 US$ 37,835	37,835	100	$ 2,129,467	$ 363,243	$ 360,839	Difference from upstream transactions $2,404 thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879 US$ 300	9,879 US$ 300	300	100	11,297	(152)	(152)	
	TXC Japan Corporation	Japan	Marketing activities	6,172 JPY 21,000	6,172 JPY 21,000	2	100	11,453	6,389	6,389	
TCTI	GPT	B.V.I.	National trading	1,691 US$ 50	1,691 US$ 50	50	100	124,065 US$ 3,884	21,896 US$ 663	21,896 US$ 663	
	NGB	Ningbo	Manufacture and sales of electronics products	1,244,699 US$ 37,835	1,244,699 US$ 37,835	US$ 37,835	100	2,007,929 US$ 62,866	332,212 US$ 10,055	332,212 US$ 10,055	
NGB	TXC (HK) Limited	Hong Kong	National trading	846 HK$ 200	846 HK$ 200	HK$ 200	100	6,079 RMB 1,299	5,310 RMB 1,098	5,310 RMB 1,098	

TABLE 8

TXC CORPORATION

DERIVATIVE TRANSACTIONS OF INVESTEES OVER WHICH THE CORPORATION HAS A CONTROLLING INTEREST
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

NGB entered into derivative transactions during the year ended December 31, 2009 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of December 31, 2009:

	Currency	Maturity	Contract Amount (In Thousands)
December 31, 2009			
Sell	USD/RMB	May 5, 2010	US$12,500/RMB85,247
	USD/JPY	April 22, 2010	JPY100,000/US$1,098

TXC CORPORATION

INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of December 31, 2009 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009 (US$ in Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					Outflow	Inflow					
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 1,244,699 US$ 37,835	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 1,185,118 US$ 36,000	$ -	$ -	$ 1,185,118 US$ 36,000	100	$ 332,212 US$ 10,055	$ 2,007,929 US$ 62,866	$ 256,146 US$ 7,897

Note: Calculation was based on audited financial statements.

Accumulated Investment in Mainland China as of December 31, 2009 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment
$ 1,185,118 US$ 36,000	$ 1,245,526 US$ 37,835	$ -

2. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Nature of Relationship	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
		Purchase/Sale	Amount	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
NGB	Subsidiary	Purchase	$ 1,365,313	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	$ (315,932)	33	$ (8,882)
		Sale	86,099	Divisions of the Group strategy its trading price to cost	Similar with third parties	Divisions of the Group strategy its trading price to cost	27,138	2	(263)

3. Endorsements, guarantees or collateral directly or indirectly provided to the investees: None.
4. Financings directly or indirectly provided to the investees: None.
5. Other transactions that significantly impacted current year's profit or loss or financial position: None.

SCHEDULE 1

TXC CORPORATION

CASH AND CASH EQUIVALENTS
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, and Foreign Currency)

Item		Amount
Cash		
Petty cash		$ 100
Cash on hand	Including US$22 thousand @32.03; JPY1,225 thousand @0.3476; HK$14 thousand @4.1302; EUR€0.7 thousand @46.1488, and RMB14 thousand @4.6918 and SGD$0.3 thousand @22.8753, KRW150 thousand @0.0275	1,266
Cash in banks		
Checking deposits		274,400
Foreign-currency deposits	Including US$5,575 thousand @32.03; JPY178,883 thousand @0.3476; and HK$265 thousand @4.1302	241,834
Time deposits	Due date 2009.10.14-2010.06.14, interest rate at 0.555%-0.78%	220,500
Cash equivalents		
Repurchase agreements collateralized by bonds	Due date 2009.12.23-2010.01.12, interest rate at 0.32%-0.38%	315,000
		$ 1,053,100

SCHEDULE 2

TXC CORPORATION

ACCOUNTS RECEIVABLE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Related parties		
NGB		$ 27,138
Tai-Shing		5,597
TXC Technology Inc.		486
TXC (HK) Limited		3,836
		37,057
Less allowance for doubtful accounts		(45)
		37,012
Third parties		
C		
A		190,969
E		116,597
D		113,382
Others (Note)		112,403
		1,556,599
Less allowance for doubtful accounts		2,089,950
		(15,160)
		2,074,790
		$ 2,111,802

Note: Each of the accounts was less than 5% of the total account balance.

SCHEDULE 3

TXC CORPORATION

INVENTORIES
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Cost	Market Value (Note)
Raw materials		$ 135,328	$ 131,744
Supplies and spare parts		58,456	56,292
Work in process		155,771	154,073
Finished goods		221,278	194,203
Merchandise		159,139	155,592
Goods in transit		17,470	17,470
		747,442	709,374
Less allowance for loss		(38,068)	-
		$ 709,374	$ 709,374

Note: The market value is based on net realizable value.

SCHEDULE 4

TXC CORPORATION

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Increase		Decrease		Equity in Investees	Ending Balance			Market Price or Net Asset Value		Valuation	Pledge or
	Shares	Amount	Shares	Amount	Shares	Amount	Gain (Loss)	Shares	% of Ownership	Amount	Unit Price	Amount	Method	Security
Not listed company														
Taiwan Crystal Technology International Ltd.	37,835	$ 1,882,582	-	$ -	-	$ 113,954	$ 360,839	37,835	100	$ 2,129,467	-	$ 2,138,350	Equity method	None
TXC Technology Inc.	300	11,761	-	-	-	312	(152)	300	100	11,297	-	11,297	Equity method	None
TXC Japan Corporation	2.1	5,398	-	-	-	334	6,389	2.1	100	11,453	-	11,453	Equity method	None
		$ 1,899,741		$ -		$ 114,600	$ 367,076			$ 2,152,217		$ 2,161,100		

Note: The financial statements used as basis for calculating the above equity-method investments were audited, except for TXC Technology Inc. and TXC Japan Corporation.

TXC CORPORATION

CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Beginning Balance	Changes for the Period: Increase	Decrease	Reclassification	Ending Balance	Pledge or Security
Cost						
Land	$ 273,496	$ -	$ -	$ -	$ 273,496	Note 26
Land improvements	593	-	-	-	593	
Buildings	611,579	75,634	15,586	384,386	1,056,013	Note 26
Machinery equipment	2,963,491	252,562	226,952	(57,351)	2,931,750	
Transportation equipment	2,557	-	-	-	2,557	
Miscellaneous equipment	108,676	9,416	4,073	123	114,142	
Prepayments for equipment	27,622	-	-	(163)	27,459	
Construction in progress	384,386	-	-	(384,386)	-	
	$ 4,372,400	$ 337,612	$ 246,611	$ (57,391)	$ 4,406,010	
Revaluation increment						
Land - revaluation increment	$ 8,954	$ -	$ -	$ -	$ 8,954	
Accumulated depreciation						
Land improvements	$ 444	$ 25	$ -	$ -	$ 469	
Buildings	193,683	56,057	13,435	-	236,305	
Machinery equipment	1,522,794	536,728	167,705	(45,209)	1,846,608	
Transportation equipment	2,199	171	-	-	2,370	
Miscellaneous equipment	69,640	15,509	3,884	123	81,388	
	$ 1,788,760	$ 608,490	$ 185,024	$ (45,086)	$ 2,167,140	

SCHEDULE 6

TXC CORPORATION

SHORT-TERM LOANS
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Creditor	Nature of Loan	Amount	Due Date	Interest Rate %	Pledge or Security
DBS Bank	Usance letter of credit	$ 30,973	Six months	1.10-1.22	
Land Bank	Usance letter of credit	15,990	Six months	1.15	
Bank of Taiwan	Usance letter of credit	282,756	Six months	1.031-1.536	Note 26
RBS Bank	Working capital loans	86,481	Six months	0.74	
		$ 416,200			

SCHEDULE 7

TXC CORPORATION

ACCOUNTS PAYABLE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Related parties		
NGB		$ 315,932
TXC (HK) Ltd.		2,563
TXC Japan Corporation		729
Tai-Shing		733
		319,957
Third parties		
Tangshan Jingyu		
ZHEJIANG EAST		123,807
KYOCERA		122,637
Others (Note)		83,521
		330,570
		660,535
		$ 980,492

Note: Each of the accounts was less than 5% of the total account balance.

TXC CORPORATION

BONDS PAYABLE
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Bond Type	Trustees	Date of Issuance	Payment Terms	Interest Rate	Amount: Issuance Amount	Amount: Conversion	Amount: Redemption	Amount: Ending Balance	Amount: Unamortized Premium (Discount)	Amount: Carrying Value	Repayment Method	Securities
2nd unsecured domestic convertible bonds	Chinatrust	2006.11.08	-	-	$ 800,000	$ 708,200	$ 87,900	$ 3,900	$ 189	$ 3,711	Note 15	None
Add: Liability component of convertible bonds - noncurrent										331		
										$ 4,042		

TXC CORPORATION

LONG-TERM LOANS
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

	Repayment Period	Repayment Method	Interest Rate %	Amount Current Portion	Amount Noncurrent Portion	Total Amount	Pledge or Security
Bank of Taiwan	2008.08.25-2013.08.25	Repayable in quarterly installment	0.994	$ 12,000	$ 33,000	$ 45,000	Note 26
〃	2009.04.24-2013.07.24	〃	0.994	7,000	19,250	26,250	Note 26
〃	2008.07.30-2013.07.24	〃	0.994	25,500	70,125	95,625	Note 26
〃	2008.08.25-2013.07.24	〃	0.994	13,750	37,812	51,562	
〃	2008.10.02-2013.07.24	〃	0.994	19,000	52,250	71,250	
China Trust	2009.09.14-2011.03.16	Repayable at maturity	0.998	-	180,000	180,000	
Taishin Bank	2009.08.11-2011.06.12	Repayable at maturity	0.970	-	100,000	100,000	
	2008.09.11-2010.09.11	〃	0.950	100,000	-	100,000	
Taipei Fubon Bank	2009.12.15-2011.10.27	〃	0.900	-	50,000	50,000	
Land Bank	2009.09.25-2011.06.01	〃	1.030	-	50,000	50,000	
HUA NAN Bank	2009.11.02-2011.09.16	〃	0.900	-	100,000	100,000	
				$ 177,250	$ 692,437	$ 869,687	

SCHEDULE 10

TXC CORPORATION

OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Amount
Mirco-electronics	$ 5,854,722
Electronic components	759,768
Less sales returns	6,614,490
Less sales allowances	(22,423)
	(34,951)
	$ 6,557,116

SCHEDULE 11

TXC CORPORATION

COST OF SALES
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Amount
Direct materials	
Beginning materials	$ 194,286
Add: Material purchase	778,238
Less: Adjustment items	(4,582)
Ending materials	(193,784)
	774,158
Direct labor	185,195
Overhead	823,098
Manufacturing cost	1,782,451
Beginning work in process	156,810
Add: Purchases	37,075
Add: Adjustment items	59,291
Ending work in process	(155,771)
	1,879,856
Finished goods cost	220,783
Beginning finished goods	1,907
Add: Adjustment items	30,658
Ending finished goods	(221,278)
Production cost	1,911,926
Beginning merchandise inventory	140,510
Add: Purchase	3,317,353
Add: Adjustment items	80,254
Ending merchandise inventory	(159,139)
	3,378,978
	$ 5,290,904

SCHEDULE 12

TXC CORPORATION

OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Item	Explanation	Sales and Marketing	General and Administration	Research and Development
Salary		$ 56,306	$ 70,562	$ 98,739
Labor expense		382	19,770	1,668
Allowance for entertainment		22,122	5,269	422
Depreciation		972	13,294	100,122
Research expense		-	-	33,693
Commission		52,573	-	-
Export expense		41,511	-	-
Others		142,563	31,912	23,913
		$ 316,429	$ 140,807	$ 258,557